



## Senate

General Assembly

**File No. 155**

February Session, 2008

Substitute Senate Bill No. 168

*Senate, March 26, 2008*

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***AN ACT AMENDING THE EXTENDED WARRANTY STATUTES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 42-260 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (d) (1) An extended warranty shall not be issued, sold or offered for  
5 sale unless the extended warranty provider is insured under an  
6 extended warranty reimbursement insurance policy issued by an  
7 insurer authorized to do business in this state, [or] except that a risk  
8 retention group, as defined in section 38a-250, shall not issue, sell or  
9 offer to sell such extended warranty reimbursement insurance policies.  
10 In lieu of such extended warranty reimbursement policy, the extended  
11 warranty provider [can] may demonstrate that reserves for claims  
12 contained in the provider's financial statements are not in excess of  
13 one-half of a provider's audited net worth. If such reserves are in  
14 excess of one-half of a provider's net worth, the reserves shall be held  
15 in trust by an independent trustee and certified annually as adequate

16 by an actuary.

17 (2) The extended warranty reimbursement insurance policy shall  
18 cover the obligations under the extended warranty sold by the  
19 extended warranty provider during the period of time that such  
20 provider's insurance policy is in force.

21 Sec. 2. Section 38a-255 of the general statutes is repealed and the  
22 following is substituted in lieu thereof (*Effective from passage*):

23 (a) Any policy issued by a risk retention group shall contain in ten  
24 point type on the front page and the declaration page, the following  
25 notice:

26 NOTICE

27 This policy is issued by your risk retention group. Your risk retention  
28 group may not be subject to all of the insurance laws and regulations  
29 of your state. State insurance insolvency guaranty funds are not  
30 available for your risk retention group.

31 (b) A risk retention group shall not issue, sell or offer to sell  
32 extended warranty reimbursement insurance policies, as provided in  
33 subdivision (1) of subsection (d) of section 42-260, as amended by this  
34 act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	42-260(d)
Sec. 2	<i>from passage</i>	38a-255

**INS** Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

This bill has no fiscal impact on the Department of Insurance. It prohibits risk retention groups from issuing, selling, or offering extended warranty reimbursement insurance policies.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****sSB 168*****AN ACT AMENDING THE EXTENDED WARRANTY STATUTES.*****SUMMARY:**

This bill prohibits a risk retention group (RRG) from issuing, selling, or offering extended warranty reimbursement insurance policies.

A RRG, an entity created under the 1986 federal Liability Risk Retention Act, must be chartered (i.e., licensed) in one U.S. state, which regulates it as a captive insurance company. The RRG may operate nationwide, provided it registers with each state in which it intends to operate. A captive insurer is an insurance company an organization owns that exclusively insures the risks of that organization and its affiliated companies.

An "extended warranty reimbursement insurance policy" is a policy of insurance covering obligations and liabilities that an extended warranty provider incurs under the terms of the extended warranty he or she sold to a buyer.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/06/2008)